

30 November 2021

IHH Healthcare

Strong 9MFY21

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9MFY21 Core Net Profit (CNP) of RM1,154m (+236% YoY) came above expectations at 96%/85% of our/consensus full-year forecast. The positive variance from our forecast was due to better-than-expected performance in Acibadem. We highlight that India and Acibadem continued to post strong commendable bottom-line performances in 3QFY21. We upgrade our FY21E/FY22E net profit by 17%/6%. However, due to concerns over the lira, which has weakened in the quarter-to-date, we keep our SoP-TP unchanged at RM6.65. Reiterate Market Perform.

Key results' highlights. QoQ, 3QFY21 headline revenue rose 4% due to easing of travel restrictions and lockdowns as patients including elective cases gradually returned to the group's hospitals but this was negated by a sharp decrease of COVID-19-related revenue in India, which outstripped the higher revenues from COVID-19-related services rendered in other markets. COVID-19-related services contributed about between 6%-29% in 3QFY21 (2QFY21: 12%-31%) revenues from the Group's operations in its home markets. EBITDA was lower by 1% due to lower government grant income, higher staff costs and other operating expenses. Revenue per inpatient admission rose only in Malaysia (+7%) but lower in Singapore (+6%), India (+17%) and flat in Acibadem. Inpatient admission rose in India (+21%), Acibadem (+2%) and Singapore (+2%) but lower in Malaysia (-2%). This brings 3QFY21 Core Net Profit (CNP) to RM355m (-24%) due to losses in Greater China but mitigated by higher bottom-line contribution in Acibadem. No dividend was declared in this quarter as expected.

YoY, 9MFY21 revenue and EBITDA increased by 31% and 73%, respectively, as patient volumes picked up as the lockdowns gradually eased, and to some extent, contribution from delivery of COVID-19-related services and Prince Court Medical Centre. Overall, inpatient admission rose across the board including Singapore (+4%), India (+20%), Acibadem (+16%) but lower in Malaysia (-10%). Similarly, revenue intensity was solid across the board with revenue per inpatient higher in Malaysia (+28%), India (+20%), Acibadem (25%) and Singapore (+3%) as more complex cases were undertaken. 9MFY21 CNP was higher by 236% boosted by profits from Acibadem and India.

Outlook. Although patient volume is impacted by the resurgence of COVID-19 cases across the globe and by the various movement restrictions implemented, the Group's diversified earnings base across 10 markets provides resilience as key markets are at different phases of the COVID-19 pandemic. The Group took pro-active initiatives to partially mitigate the effects of lower patient volumes by improving case-mix and by providing COVID-19 screening services. We highlight that foreign patient revenues at the Group's hospitals in Turkey have exceeded pre-COVID-19 levels since 4QFY20 after Turkey reopened its borders on June 2020. In India, the group will continue to drive cost savings and ramp up productivity and increase bed occupancy ratio currently averaging at 60%. In India, specifically, non-COVID-19-related activities saw month-on-month recovery on inpatient admission.

We upgrade our FY21E/FY22E net profit by 17%/6% to take into account higher contribution from Acibadem.

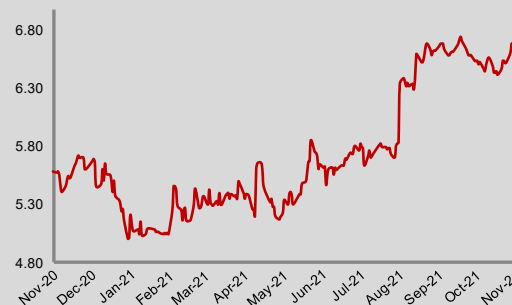
Maintain MARKET PERFORM. Despite raising Acibadem earnings, we attached a lower PER of 17.5x from 19x for Acibadem to reflect concerns of its weakness in lira recently. Consequently, we keep out SoP-TP of RM6.65. We like IHH for its strong management and well diversified earnings base across several markets.

Key risk to our call is slower-than-expected recovery from the pandemic.

MARKET PERFORM ↔

Price: RM6.60
Target Price: RM6.65 ↔

Share Price Performance



KLCI	1,510.57
YTD KLCI chg	-7.2%
YTD stock price chg	20.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	IHH MK Equity
Market Cap (RM m)	58,043.5
Shares Outstanding	8,794.5
52-week range (H)	6.87
52-week range (L)	4.95
3-mth avg daily vol:	7,224,343
Free Float	13%
Beta	0.8

Major Shareholders

Mitsui & Co Ltd	32.8%
PulauMemutik Ven SdnBhd	26.0%
Employees Provident Fund	8.9%

Summary Earnings Table

FY Dec (RMm)	2020A	2021E	2022E
Turnover	13,404.6	15,441.1	16,728.8
PBT	567.5	2,278.2	2,214.7
Net Profit (NP)	288.9	1,401.9	1,358.1
Core NP	715.3	1,401.9	1,358.1
Consensus (NP)	-	1356.7	1533.9
Earnings Revision	-	+17%	+6%
Core EPS (sen)	7.1	16.0	15.5
Core EPS growth (%)	(32.3)	96.0	(3.1)
NDPS (sen)	4.0	4.0	4.0
BVPS (RM)	2.48	2.60	2.71
Core PER (x)	93.0	36.2	37.4
PBV(x)	2.7	2.5	2.4
Net Gearing (%)	25.2	26.1	19.1
Net Div. Yield (%)	0.6	0.6	0.6

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Result Highlight (YTD)			
FY Dec	2020	2021	Y-o-Y
(RM m)	9M	9M	Chg (%)
Turnover	9,638.6	12,661.0	31.4
Parkway Pantai	6,841.4	9,144.2	33.7
Acibadem Holdings	2,492.3	3,212.7	28.9
IMU Health	184.6	187.7	1.7
Plife REIT	274.8	277.1	0.9
Others (Plife REIT inter-segment revenue)	(154.4)	(160.7)	4.1
EBITDA	1,834.7	3,165.4	72.5
Parkway Pantai	1,261.8	2,147.5	70.2
Acibadem Holdings	515.8	880.6	70.7
IMU Health	63.2	69.8	10.3
Plife REIT	217.3	299.6	37.9
Others	(64.9)	(68.7)	6.0
Eliminations	(158.6)	(163.3)	3.0
Depreciation & amortisation	(1,004.5)	(1,125.7)	12.1
Other operating income	559.9	536.3	(4.2)
Finance cost	(881.6)	(503.7)	(42.9)
Finance income	243.8	170.0	(30.3)
Associates and JV	3.6	34.5	845.5
Pretax profit	(93.4)	1,871.6	(2,103.4)
Taxation	(196.2)	(216.9)	10.6
Minority interest	159.1	(245.7)	(254.4)
PATAMI / (LATAMI)	(130.5)	1,408.9	(1,179.8)
Core net profit	343.6	1,154.0	235.9
Core EPS (sen)	3.2	12.5	290.6
EPS (sen)	(2.3)	15.3	NM
EBITDA margin (%)	19	25	
Parkway Pantai	18	23	
Acibadem Holdings	21	27	
IMU Health	34	37	
Pretax margin (%)	(1)	15	
Effective tax rate (%)	(210)	12	

Source : Bursa Malaysia, Kenanga Research

Result Highlight				
FY Dec	1Q	2Q	3Q	QoQ
(RM m)	2021	2021	2021	%Chg
Turnover	3,945.8	4,270.3	4,445.0	4.1
Parkway Pantai	2,786.9	3,117.1	3,240.2	3.9
Acibadem Holdings	1,060.5	1,053.3	1,098.9	4.3
IMU Health	59.8	62.2	65.6	5.4
PLife REIT	91.4	91.3	94.4	3.4
Others (Plife REIT inter-segment revenue)	(52.8)	(53.7)	(54.1)	0.9
EBITDA	960.6	1,108.7	1,096.1	(1.1)

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Parkway Pantai	640.6	788.2	718.7	(8.8)
Acibadem Holdings	279.8	300.6	300.2	(0.1)
IMU Health	22.4	22.3	25.0	12.1
PLife REIT	89.0	73.3	137.2	87.1
Others	(17.5)	(21.2)	(30.1)	41.5
Eliminations	(53.7)	(54.6)	(55.0)	0.8
Depreciation & amortisation	(313.7)	(460.9)	(351.0)	(23.8)
Other operating income	95.2	306.0	135.1	(55.8)
Finance cost	(244.2)	(172.7)	(86.8)	(49.8)
Finance income	175.9	13.0	(19.0)	(245.5)
Associates and JV	16.6	12.1	5.9	(51.4)
Pretax profit	586.5	668.5	616.6	(7.8)
Taxation	(153.6)	(122.4)	59.0	(148.2)
Minority interest	(57.3)	(62.8)	(125.7)	100.2
Net profit	375.6	483.3	550.0	13.8
EPS (sen)	3.6	5.3	6.0	14.1
Core net profit	335.8	463.6	354.6	(23.5)
EBITDA margin (%)	24	26	25	
Parkway Pantai	23	25	22	
Acibadem Holdings	26	29	27	
IMU Health	37	36	38	
Pretax margin (%)	15	16	14	
Effective tax rate (%)	26	18	(10)	

Source : Bursa Malaysia, Kenanga Research

Sum-of-parts valuation (SOP-TP)

	Basis	Multiples (x)	Value (RM m)	Remarks
PPL	EV/EBITDA	18.00	39,440	
Acibadem (60%)	EV/EBITDA	17.50	19,719	
Fortis (31.1%)	Market value		2700	Market value
IMU	EV/EBITDA	11.00	341	Premium to peers due to higher earnings base.
International	EV/EBITDA	11.00	638	In line with peers average.
Plife REIT (35.8%)			1,461	
Total			64,300	
Net debt			(5,891)	
Total			58,409	
No of shares (m)			8,769	
Target price (RM)			6.65	

Source: Kenanga Research

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Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net DivYld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.			
HEALTHCARE																	
IHH HEALTHCARE BHD	6.60	58,043.5	Y	12/2021	15.2%	8.5%	96.0%	-2.6%	93.0	36.2	37.4	2.7	2.5	6.3%	0.6%	6.65	MP
KPJ HEALTHCARE BERHAD	1.04	4,499.4	Y	12/2021	7.7%	8.5%	-34.7%	76.8%	33.3	51.1	28.9	2.0	2.0	3.9%	1.4%	1.01	MP
PHARMANIAGA BERHAD	0.875	1,146.2	Y	12/2021	102.4%	-25.1%	294.2%	-31.4%	41.7	10.6	15.4	3.4	3.0	30.2%	5.7%	0.850	MP

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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